

## **Canada's 2008 Budget**

The House of Commons on March 4 passed the third annual budget from the minority government of Prime Minister Stephen Harper in a Conservative motion that was, by definition, a matter of “confidence.” The government had on February 28 and March 3 also survived confidence votes on a budget sub-amendment motion from the Bloc Québécois and a budget amendment motion from the Liberal Party, respectively. On the latter motion, all but seven Liberal MPs boycotted the vote on their own party’s amendment after Opposition leader Stéphane Dion made clear that the budget was not “harmful” enough to warrant toppling the government. In the March 4 vote, only 11 Liberal MPs opposed it.

The 2008 budget, entitled “Responsible Leadership for Uncertain Times,” is the smallest in 11 years. It projects new spending of only C\$1.3 billion (3.4 per cent growth) in 2008-2009 (unlike the first two Conservative budgets, which expanded federal spending cumulatively by 14.8 per cent), and of only an additional C\$6 billion in total over three years. The government’s earlier C\$60 billion tax cuts (representing C\$14.7 billion in annual cuts) and its determination to allocate all of the C\$10.2 billion surplus for FY 2007-2008 to payments on Canada’s already modest national debt limited the revenues available for the new budget. Finance Minister Jim Flaherty called the budget a “prudent, disciplined, and realistic” plan that would keep Canada’s finances in the black.

### **FOREIGN AFFAIRS**

Canada committed an additional C\$100 million in assistance to Afghanistan, primarily for security and training of the Afghan police and army. The one-time increase will bring Canada’s total aid for Afghanistan 2008-09 to C\$280 million and boosts Canada’s total projected financial commitment to that country to C\$1.3 billion through 2011.

The budget also lived up to a 2007 budget pledge to double Canada’s international assistance to C\$5 billion by 2010-11, including delivering on Canada’s commitment (along with the other G-8 nations) specifically to double aid to Africa (to C\$2.1 billion) in 2008-2009. Canada will also contribute C\$450 million to the Global Fund to Fight AIDS, Tuberculosis, and Malaria, and C\$50 million over two years to launch a development Innovation Fund.

The Department of Foreign Affairs (DFAIT) received an additional C\$89 million over two years to add new staff, embassies, and missions to enhance Canada’s overseas network and operational priorities, including under Canada’s new Latin America strategy.

### **BORDER AND LAW ENFORCEMENT**

The budget allocated C\$165 million over two years for measures to improve management of the border, including:

- C\$75 million for the Canada Border Services Agency;
- C\$14 million to expand NEXUS;
- C\$6 million to support provinces introducing enhanced drivers’ licenses;
- C\$26 million to incorporate biometric data into Canadian visas;

- C\$15 million to establish a permanent facility to enhance security of the Great Lakes/St. Lawrence Seaway;
- C\$29 million to meet Security and Prosperity Partnership priorities, including for increased regulatory cooperation, better protection of the North American food supply, and improved trilateral cooperation on energy research and compatibility of energy efficiency standards;
- introduction of a higher-security 10 year electronic Canadian passport by 2011.

Living up to the Conservatives' 2006 campaign pledges and priorities from the October 2007 Throne Speech, the new budget also included:

- C\$400 to encourage provinces and territories to recruit 2,500 new front-line police officers;
- C\$122 million over two years for federal corrections;
- C\$32 million over two years for the Public Prosecution Service; and,
- C\$30 million for the National Crime Prevention Strategy.

## MEETING THE NEEDS OF THE CANADIAN FORCES

The defense budget is projected to rise to approximately C\$18.9 billion in FY 2008-2009, a 5.9 per cent increase over FY 2007-2008, reflecting Conservative policy decisions already in place. Beginning in FY 2011-2012, the automatic annual increase in defense spending will rise from 1.5 to 2 per cent, providing the CF with an additional C\$12 billion over the next two decades to buy new equipment. The Communications Security Establishment (CSE) also received an additional C\$43 million over two years to keep pace with advances in technology.

## THE ARCTIC AND THE ENVIRONMENT

The 2008 budget earmarked C\$720 million for a new Polar-class ice breaker (ready for duty in 2017) to replace the current aging vessel, as well as C\$20 million over two years to collect data and for legal work to support Canada's submission to the UN Commission on Limits of the Continental Shelf and C\$34 million over two years for geological mapping to support Arctic economic development. The budget also set aside C\$8 million over two years to build a commercial harbor in Nunavut to help Arctic fisheries.

On the environment more broadly, the budget provided:

- C\$250 million for the Automotive Innovation Fund to help auto companies build more environmentally-friendly and fuel-efficient vehicles;
- C\$250 million to support research on and deployment of carbon capture and storage technology in the power generation sector;
- C\$300 million to support nuclear energy, including the continued development of the Advanced CANDU reactor;
- C\$33 million for better environmental law enforcement; and,
- C\$66 million to support development of a regulatory framework for industrial air emissions.